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UNCERTAIN QUALITY, ENERGY SAVINGS, AND FUTURE PRODUCTION HAMPER--ETC(U)

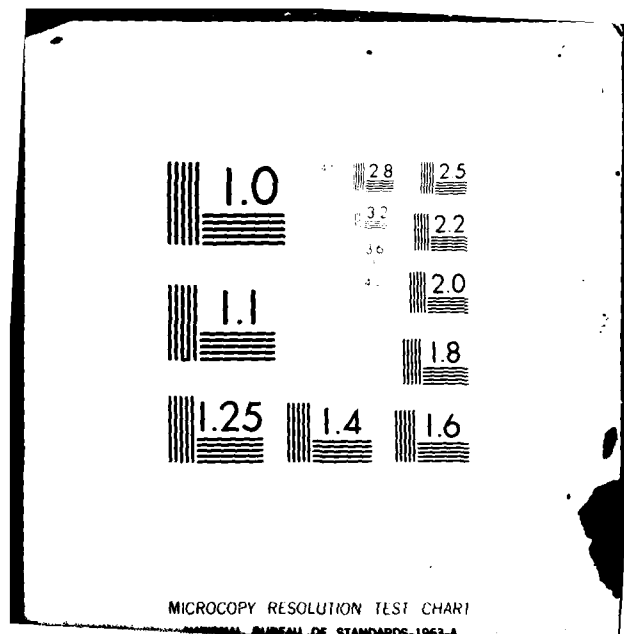
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BY THE COMPTROLLER GENERAL

Report To The Congress OF THE UNITED STATES

AD A108457

Uncertain Quality, Energy Savings, And Future Production Hamper The Weatherization Program

The Department of Energy's Low-Income Weatherization Program could reduce the energy bills of about 12 million low-income households and affect the Federal fuel assistance program.

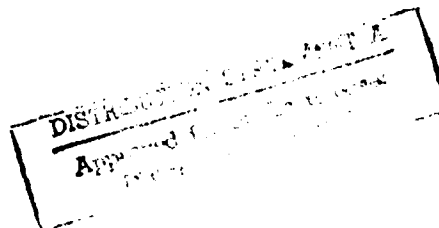
Although weatherization production has increased recently, the outlook for maintaining the higher level beyond 1981 is doubtful because:

- the higher production was sustained by a large carryover of unspent funds from prior years;
- the cost per unit will likely increase due to more reliance on contract services; and
- 1982 budget proposals will affect production and unit costs.

The program has also been hampered by poor workmanship, inadequate data on energy savings, and inadequate financial management and program monitoring at the Federal, State, and local levels.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548



B-201699

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the need to improve the administration and effectiveness of the Department of Energy's low-income weatherization assistance program.

Section 462 of the Energy Conservation and Production Act (42 U.S.C. 6892) requires the Comptroller General to report to the Congress annually for fiscal years 1977, 1978, and 1979 on four Department of Energy programs--weatherization assistance for low-income persons, State energy conservation plans, energy conservation and renewable-resource obligation guarantees, and national energy conservation and renewable-resource demonstration for existing dwelling units.

This is the last of three required reports on the low-income weatherization assistance program. It generally covers activities during 1979 and 1980, except where, in certain instances, we have updated data to reflect the current situation. A report on the State Energy Conservation Program will be issued separately. The remaining two programs were never implemented by the Department of Energy and their legislative authority has expired.

This report discusses a number of our concerns for improving low-income weatherization, a program which the Congress apparently intends to continue funding at a substantial level. In view of current budget constraints, the program's economy, efficiency, and effectiveness are of growing importance. Therefore, we believe that our recommendations for program improvement will be of assistance to the Congress in their continuing oversight of the program.

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Energy; and the chairmen of energy-related congressional committees.

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Comptroller General
of the United States

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

UNCERTAIN QUALITY, ENERGY SAVINGS,
AND FUTURE PRODUCTION HAMPER THE
WEATHERIZATION PROGRAM

D I G E S T

The Energy Conservation and Production Act requires the Comptroller General to report to the Congress annually for fiscal years 1977, 1978, and 1979 on the activities being carried out under the Department of Energy's weatherization program, a program using Federal funds to help low-income people improve the energy efficiency of their homes. This is GAO's third annual report on the program, covering fiscal years 1979 and 1980. As required by the act, it addresses program effectiveness, energy savings, financial controls, and compliance monitoring. (See p. 5.)

PROGRAM PROGRESS AND EFFECTIVENESS

The number of homes weatherized by the program has substantially increased since GAO's last report. However, at the current level of funding, it is unlikely that the Department can maintain the present level of production beyond 1981. Program effectiveness has been hampered by (1) continued overstatement of the number of homes weatherized, (2) incomplete or inadequate weatherization of homes, and (3) a low emphasis on rental units, where over half the low-income population resides.

The number of homes reported by the Department as weatherized continued to be overstated because of (1) the inclusion of homes weatherized with Community Services Administration funds and (2) inaccurate State and local information. Without accurate data the Department cannot adequately assess program progress or estimate energy savings. (See p. 7.)

Production improvements began in late 1979 and continued into 1980, after program revisions were made to eliminate exclusive use of Comprehensive Employment and Training Act (CETA) labor, and change cost limits, ceilings, and allocations. (See p. 9.)

Monthly rates of nationwide production increased markedly in 1980 according to Department data. For example, the number of homes weatherized in January 1980 was 18,099 and by August 1980 it reached 28,473. This contrasts with an average monthly rate of about 9,300 homes in the first quarter of 1979, and about 12,300 homes in the third quarter of 1979. (See p. 9.)

Program performance improved substantially beginning in the latter half of 1979 in the six States GAO reviewed. The number of dwelling units weatherized steadily increased from about 5,400 in the quarter ended June 30, 1979, to about 18,700 in the quarter ended June 30, 1980.

In late 1979 and early 1980, the Department made several changes to improve the program and increase production. Among them were the elimination of exclusive reliance on CETA labor by allowing local agencies to hire labor or engage contractors for weatherization work, and regulation revisions to increase allowable expenditures per unit, eliminate ceilings on indirect program expenditures, and reallocate funds to States based on production. (See p. 9.)

However, the outlook for maintaining the higher level of production beyond 1981 is not good because (1) the high spending levels and production rates in 1980 and 1981 were sustained by a large carryover of unspent funds from prior years, and (2) the cost per unit is likely to rise due to increased reliance on contract services. (See p. 11.) The administration's 1982 budget proposals to reduce CETA funding will also affect production and unit costs. (See p. 29.)

The energy efficiency of many homes served by the program may not have been improved very much because the weatherization work in many homes GAO inspected was incomplete or inadequate. GAO visited 75 homes reported as weatherized during the period July 1979 through August 1980 and found 4 homes incompletely weatherized and 26 homes inadequately weatherized. Similar problems were noted in reports by the Department's Inspector General. (See p. 12.)

Weatherization of rental units continued to receive a disproportionately low emphasis in State and local programs. Because these units comprise over half of the low-income housing units, GAO believes that to be successful, the program must attempt to reach that sector. GAO agrees with the Department's plan to evaluate a New York demonstration project and, based on this experience, determine ways to improve rental unit weatherization on a nationwide basis. (See pp. 13 and 15.)

UNCERTAIN ENERGY SAVINGS

The extent to which the weatherization program is actually reducing energy costs and consumption in low-income homes still is not known by the Department or the States. The Department has recognized the need for such information and recently completed a study of energy savings. However, the reliability of the study is questionable because of sampling and data problems. Therefore, GAO continues to believe that a reliable estimate of energy savings is essential for an adequate assessment of the program. (See p. 18.)

FINANCIAL MANAGEMENT AND MONITORING PROBLEMS

Deficiencies in the financial management and/or monitoring systems at the local agency, State, and Department levels continue to exist. Many of the local agency systems did not meet Federal requirements designed to assure that grant funds are controlled, spent, and accounted for properly. (See p. 23.)

The States are responsible for monitoring local agencies for compliance with the regulations and guidelines applicable to the weatherization program. Most of the State offices GAO visited, however, did not have financial management and monitoring systems which the Department can rely on for identifying and correcting accounting, inventory, and financial status reporting problems at local agencies. (See p. 24.) GAO believes that the Department should periodically test the reliability of State monitoring systems and reports. (See p. 26.)

EFFECT OF FISCAL YEAR 1982
BUDGET PROPOSALS

The administration's budget proposed to terminate the Department of Energy's low-income weatherization program and incorporate it into the Department of Housing and Urban Development's Community Development Block Grant Program. However, recent congressional action authorizes the continuance of the weatherization program in the Department of Energy. ^{1/} Other administration budget proposals would likely result in increased cost per unit and a slowdown in weatherization efforts. (See p. 29.)

In examining a variety of grant programs, GAO has generally supported the block grant concept. GAO also believes that weatherization, whether in the form of a categorical or block grant program, could go a long way toward reducing the energy bills of low-income households--now estimated at about 12 million. Also, a successful program could affect the Federal program providing assistance to low-income persons for home energy costs which totaled about \$2 billion in the fiscal year 1981 budget.

The merger of weatherization into the Department of Housing and Urban Development's block grant program could potentially impact on weatherization's identity, priority, availability in rural areas, and funding. In determining the future of the weatherization program, the Congress will have to weigh these potential impacts against the possible advantages of consolidating the weatherization program into the Department of Housing and Urban Development's block grant program or some other form of energy block grant program.

RECOMMENDATIONS

To improve the effectiveness of the program, GAO recommends that the Secretary of Energy

--revise the progress reporting system to ensure that the Department's regional

^{1/}The Omnibus Budget Reconciliation Act of 1981 (Pub. L. 97-35, Aug. 13, 1981). (See p. 3.)

operations offices and the States take adequate action to require accurate record-keeping and reporting by local agencies.

- require that an adequate inspection of weatherized units be made by local agencies before the units are reported as completed,
- obtain statistically valid data to determine the energy savings resulting from the weatherization program, and
- instruct operations offices to periodically assess State weatherization programs for adequacy of State monitoring and accuracy of program reports.

AGENCY COMMENTS

The Department of Energy concurred with all of GAO's recommendations and cited several actions taken or planned to implement them. (See app. IV.) GAO believes that although most of these actions should be helpful, they are not sufficient to correct the problems noted in the report, particularly those actions concerning energy savings. GAO cites the need for further Department action to fully implement the recommendations. (See pp. 17, 21, and 28.)

MATTER FOR CONSIDERATION BY THE CONGRESS

Since it appears that the Congress intends to continue funding low-income weatherization at a substantial level, it is very important that the Congress have valid information on program accomplishments, particularly in a time of budget constraints. In view of this and GAO's belief that the Department's past and ongoing energy savings efforts are not sufficient to correct the problems GAO noted, the Congress may wish to require that the Department give particular attention to developing reliable data on energy savings. (See p. 22)

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ABBREVIATIONS

CETA	Comprehensive Employment and Training Act
CSA	Community Services Administration
DOE	Department of Energy
ECPA	Energy Conservation and Production Act
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
LAA	Local Administering Agency
NECPA	National Energy Conservation Policy Act
OMB	Office of Management and Budget

CHAPTER 1

INTRODUCTION

Title IV of the Energy Conservation and Production Act (ECPA) (Pub. L. 94-385, Aug. 14, 1976) authorizes four programs to encourage the implementation of energy conservation and renewable-resource energy measures in dwelling units, nonresidential buildings, and industrial plants. The programs authorized are

- supplemental State energy conservation plans,
- weatherization assistance for low-income persons,
- energy conservation and renewable-resource obligation guarantees, and
- national energy conservation and renewable-resource demonstration for existing dwelling units.

This is our third annual report on the administration and implementation of the Department of Energy's (DOE's) weatherization assistance program, and it generally covers activities during fiscal years 1979 and 1980. ^{1/} In certain instances, we have updated data to indicate the current situation.

Federal involvement with low-income weatherization began in 1975 as a response to the fuel shortages and price increases resulting from the 1973 oil embargo. The Office of Economic Opportunity (later changed to the Community Services Administration (CSA)) established the first program in 1975 and continued the program through fiscal year 1978. The Federal Energy Administration (now part of DOE) began a similar program in fiscal year 1977.

In the first of three annual reports on the DOE program, we noted that at the close of fiscal year 1977, DOE had awarded grants of about \$6.8 million to 12 States, but that no State had

^{1/}The first report covered the four above programs for fiscal year 1977 and was entitled "Evaluation of Four Energy Conservation Programs--Fiscal Year 1977," EMD-78-80, Nov. 21, 1978. The second report on the weatherization program covered 1978 and was entitled "Slow Progress and Uncertain Energy Savings in Program to Weatherize Low-Income Households," EMD-80-59, May 15, 1980.

A second report on the State Energy Conservation Program covered 1978 and was entitled "Delays and Uncertain Energy Savings in Program to Promote State Energy Conservation," EMD-80-97, Sept. 2, 1980. A third report on this program will be issued separately.

The remaining two programs were never implemented by DOE and their legislative authority has expired.

yet begun weatherization activities. Among the problems we noted in program administration were:

- Two similar Federal low-income weatherization programs, one administered by DOE, the other by CSA. We recommended that the Congress transfer the responsibility for administering the CSA program to DOE.
- Need for DOE to closely monitor the program's labor situation and take appropriate action if problems arise.
- Need for more emphasis on weatherizing low-income rental units, where over half the low-income population lives.
- Need for a monitoring system at the DOE and State levels.

In our second report, covering 1978, we reported that although DOE had planned to weatherize about 393,000 homes by the end of fiscal year 1978, only 96,000 homes were reported as weatherized by the end of calendar year 1978, and this figure was overstated because of reporting errors. Program progress was hampered primarily by problems in obtaining sufficient labor, lack of emphasis on rental units, and inadequate financial management and program monitoring at the DOE, State, and local levels. We also reported that beginning in fiscal year 1979 the Congress appropriated all weatherization funds requested in the President's budget to DOE.

During the course of our review work on our current report, the administration made several budget proposals for fiscal year 1982 impacting on DOE's program. Other legislation affecting the program was also being considered in the Congress.

The administration proposed the merger of DOE's weatherization assistance program into the Department of Housing and Urban Development's (HUD's) Community Development Block Grant Program. Other budget proposals would effectively curtail or eliminate DOE's current methods for providing weatherization services as follows:

- A reduction in the Department of Labor's Comprehensive Employment and Training Act (CETA) Program that provides labor for the DOE program.
- Elimination of CSA, and funding of social program activities through block grants to the States and local communities rather than through community action agencies. Elimination of community action agencies would require a new method for implementing weatherization.

Several legislative proposals were also being considered in the Congress that would either continue the present DOE program or merge it into an energy block grant program to the States.

Our comments on the effect of the administration's budget proposals on the weatherization program are contained in Chapter 5. 1/

PROGRAM IMPLEMENTATION
AND ADMINISTRATION

Title IV of ECPA authorizes the development and implementation of a weatherization assistance program by DOE to assist in achieving a prescribed level of insulation in the dwellings of low-income persons, 2/ particularly the elderly and handicapped, in order to both aid those persons least able to afford higher utility or fuel costs, and to conserve needed energy. The number of low-income dwellings is increasing. It is estimated that there are about 12 million low-income dwellings in the Nation. DOE's program regulations allow numerous weatherization measures. These measures include repairing broken windows; caulking around windows; weatherstripping windows and doors; installing storm windows and doors; and insulating attics, floors, and walls.

The following table shows DOE weatherization program funding (in millions) since its inception through 1981.

<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>Total</u>
<u>\$27.5</u>	<u>\$65.0</u>	<u>\$199.0</u>	<u>\$199.0</u>	<u>\$175.0</u>	<u>\$665.5</u>

The DOE weatherization program is carried out by granting funds to the States and the District of Columbia which, in turn, redistribute funds to local governments, Native American tribes,

1/The Omnibus Budget Reconciliation Act of 1981 (Pub. L. 97-35, Aug. 13, 1981) authorizes funds in fiscal year 1982 for DOE State and local conservation programs, including low-income weatherization. The Act also authorizes a community services block grant program within the Department of Health and Human Services. The block grant would incorporate most of the programs administered by CSA and provides for special consideration and use of existing community action agencies. The Act also authorizes funding of the CETA program providing labor for the weatherization program at a level about \$850 million less than the 1981 level.

2/Low-income is currently defined by the National Energy Conservation Policy Act (NECPA) (Pub. L. 95-619, Nov. 9, 1978) as (1) at or below 125 percent of the poverty level determined in accordance with criteria established by the Director, Office of Management and Budget, except that the Secretary of Energy, based on procedures established in NEPCA, may set a higher poverty level; or (2) the basis on which cash assistance payments were paid in the preceeding 12 months under Title IV and XVI of the Social Security Act or applicable State or local law.

and community action agencies 1/ for program implementation. In this report, these entities are referred to as local administering agencies (LAAs).

The program is administered on a decentralized basis through the 10 DOE regional offices. 2/ DOE headquarters is responsible for establishing program development and implementation regulations, providing technical assistance to DOE regional offices, and reviewing and evaluating information received from the regions to ensure effective and uniform program implementation.

The DOE regional offices are responsible for reviewing and approving annual weatherization applications, awarding grants, monitoring and evaluating the operation of the program, and reporting to DOE headquarters.

Each State is responsible for developing its own weatherization program, monitoring program implementation by the LAAs, and reporting regularly to the DOE regional office in accordance with program regulations. To receive funding, each State must annually submit to the DOE regional office an application containing, among other things,

- the name of the organization responsible for administering the program;
- the proposed budget for the program including amount and source of funds;
- the total number of low-income dwelling units to be weatherized, by calendar quarter;
- an estimate of the amount of energy to be conserved;
- the minimum number of dwelling units to be weatherized annually where elderly, handicapped, and Native Americans reside; and
- an estimate of the Federal manpower programs, volunteer labor programs, or other labor sources to be used.

1/Private corporations or public agencies established pursuant to the Economic Opportunity Act of 1964 (Pub. L. 88-452), which are authorized to administer funds received from Federal, State, local, or private funding entities to assess, design, operate, finance, and oversee antipoverty programs.

2/Under a field structure realignment announced by DOE on April 24, 1981, the functions of DOE's regional offices will be scaled down significantly and assumed by DOE's eight operations offices.

OBJECTIVES, SCOPE, AND METHODOLOGY

Section 462 of ECPA requires the Comptroller General to report to the Congress annually for fiscal years 1977, 1978, and 1979 on the activities being carried out under the four ECPA programs. Specifically, ECPA requires GAO to review four program aspects--program effectiveness, energy savings, an accounting by State of program expenditures, 1/ and compliance monitoring.

In reviewing these aspects in the weatherization program, our objective was to address the following questions:

- How effective has the weatherization program been in terms of the number and type of homes weatherized and the quality of weatherization work?
- How much energy has the program saved?
- Are financial management and program monitoring systems adequate?

In addition, we also address the effect of fiscal year 1982 budget proposals on the low-income weatherization program.

Our overall plan for the three annual reports was to review implementation of the weatherization program in each of the 10 DOE regions at least once, and within those regions, States having significant programs. On a combined basis, our 3 reports have included each of the 10 DOE regions and 20 States in those regions (see app. I). In this report, we covered 3 regional offices and 6 States within those regions. Additionally, we visited 18 LAAs and inspected 75 homes weatherized with DOE funds.

This report includes the DOE regional offices in Chicago (Region V), New York (Region II), and San Francisco (Region IX). Chicago and New York were not included in our prior reports and were selected in accordance with our overall plan to include each regional office at least once. Although we included the San Francisco regional office during our 1977 review, it was included in this review because limited progress had been made on the weatherization program at the time of our earlier review.

At DOE headquarters and in the three DOE regional offices, we analyzed legislation; program regulations, policies, and procedures; program financial and progress records and reports; internal audit reports; and other pertinent program documents, correspondence, and studies. We obtained comments regarding program problems and accomplishments from responsible DOE regional

1/In fulfilling this mandate, rather than include information on the program expenditures by State, GAO considered it more meaningful to evaluate financial controls over the expenditure of program funds at the local, State, and DOE regional levels.

and headquarters officials. We also obtained official comments from DOE on this report (see app. IV).

Of the six States covered in the current review, New Jersey and New York were selected because they were the only two States in the DOE region; California was selected because it operated the largest weatherization program within its DOE region; and Indiana, Michigan, and Ohio, three of the six States in DOE region V, were selected taking into consideration the amount of DOE grant funds awarded and expended and the status of program implementation. Our work in each of the six States included analyzing weatherization plans, progress reports, financial records, monitoring systems, and other pertinent program documents and correspondence. We also interviewed responsible State officials.

From two to five LAAs in each State were selected for review with consideration given to program size, known successes and problems, and geographic location. From two to six units weatherized by each LAA were selected for inspection with preference given to units recently completed and geographic location. At each of the 18 LAA's covered (see app. V), we analyzed financial and program management systems and records, and inspected homes weatherized. We also interviewed LAA officials and some individuals whose homes had been weatherized.

Although our selections of States, LAAs, and weatherized homes were based on judgment and were not statistically valid random samples, our findings and conclusions were also generally supported by reports of the DOE Inspector General, 1/ DOE's annual reports on the program, 2/ congressional testimony of a DOE official, 3/ two GAO reports on LAA financial management problems, 4/ and our two previous reports on the weatherization program.

1/ Reports of Office of the Inspector General, DOE, on "The Weatherization Program in West Virginia," Report No. IG-122, Aug. 4, 1980; "The Weatherization Program In Virginia," Report No. IG-136, Nov. 18, 1980; and "The Peoria Weatherization Program," Report No. DOE/IG-0160, June 10, 1981.

2/ "Status of the Weatherization Assistance Program, Annual Report for 1979," Department of Energy, Feb. 1980; and "The Weatherization Assistance Program, Annual Report For 1980," Department of Energy, Nov. 1980.

3/ Statement on Weatherization program of Director, Weatherization Special Project Office, DOE, before the Subcommittee on Human Resources, House Committee on Education and Labor, March 26, 1980.

4/ "Weak Financial Controls Make the Community Services Administration Vulnerable to Fraud and Abuse," FGMSD-80-73, Aug. 22, 1980; and "Internal Control Weaknesses Contributed to the Mismanagement and Misuse of Federal Funds At Selected Community Action Agencies," AFMD-81-54, July 10, 1981.

CHAPTER 2

IMPROVEMENTS IN PROGRAM

EFFECTIVENESS CAN BE MADE

The number of homes weatherized by DOE's program has substantially increased since our last report. However, some of the same problems we previously reported continue to impede the program, and, at the current level of funding, it is unlikely that DOE can maintain the present level of production beyond 1981.

The number of homes reported by DOE as weatherized continues to be overstated because of reporting deficiencies. Production improvements began in late 1979 and continued into 1980, after program revisions were made to eliminate exclusive use of CETA labor, and change cost limits, ceilings, and allocations. However, the outlook for maintaining the higher level of production is not good because (1) the high spending levels and production rates in 1980 and 1981 were sustained by a large carryover of unspent funds from prior years, and (2) the cost per unit is likely to rise due to increased reliance on contract services. Also, the administration's 1982 budget proposals will affect the production and unit cost of the program (see Ch. 5).

The energy efficiency of many homes served by the program may not have been improved very much, because the weatherization work in many homes we inspected was incomplete or inadequate. Similar quality problems were also noted in reports by the DOE Inspector General. Also, renter-occupied dwellings continued to receive disproportionately low emphasis in State and local weatherization programs.

CONTINUED OVERSTATEMENT OF NUMBER OF HOMES WEATHERIZED

The number of homes reported by DOE as weatherized continued to be overstated by an unknown amount because of (1) the inclusion of homes weatherized with CSA funds and (2) inaccurate State and local reporting of units weatherized. We recommended in our last report that DOE ensure that the number of homes weatherized under each program be identified and reported accurately. Without accurate data on the number of homes weatherized, DOE cannot adequately assess program progress or estimate energy savings.

DOE reported that as of August 31, 1980, a total of 430,485 homes had been weatherized under its program. ^{1/} This included 96,335 homes weatherized through December 31, 1978, 142,580 homes weatherized in calendar year 1979, and 191,570 homes weatherized

^{1/} "The Weatherization Assistance Program, Annual Report for 1980," DOE/CS-0209, Nov. 1980, p. 40.

in 1980 through August 31, 1980. However, our review of homes reported as weatherized in the six States indicated overstatements because of the above noted problems.

Quarterly program progress reports submitted to DOE by three of the six States showed that homes had been weatherized during 1979 and 1980 with both DOE and CSA funds. For example, in Michigan, CSA authorized about \$500,000 of Special Crisis Intervention funds 1/ for home weatherization use from October 1979 through September 1980.

In New York, weatherization work was done with CSA funds. The understanding at the New York LAAs we visited was that if both DOE and CSA funds were used on a single home and at least one half of the respective program's maximum allowable amount was expended on this home, then a completion could be credited to each program. At one LAA, we found that for calendar year 1979, a total of 136 completions was reported (70 for DOE and 66 for CSA) when only 87 homes were weatherized. Although a State memo describing this split reporting procedure contains a handwritten "OK" by the DOE regional program manager, this program manager denied that such approval was given.

We also found that State reports to DOE on the number of homes weatherized were frequently revised and were not supported. In New York, for example, we found different completion figures which State officials were unable to reconcile. For the period ended December 31, 1979, the State first reported 10,138 completions. In June 1980 the number was revised to 8,382, and in July 1980 it was revised to 8,534. New York State officials could not provide support for revisions to the reported figures except to say that the reporting and recordkeeping at the LAAs was poor. The former director of the State weatherization program told us that some completion data was received by the State via phone.

During our visits to LAAs in New York, we attempted to verify the State's revised completion figures for the LAAs. At one LAA the State's completion figure of 500 homes was incorrect and should have been 255 according to the LAA's program manager. New York officials were not able to explain this discrepancy.

At another LAA, an overstatement of 40 units completed was explained by the program manager as resulting from duplicate reporting between reporting periods and between annual weatherization grants.

1/CSA allotted Special Crisis Intervention program funds to the States to assist low-income households in continuing to obtain energy and fuel supplies. If States were unable to use their allotment, CSA reprogrammed the funds for use in home weatherization.

Problems concerning the inclusion of homes weatherized with CSA funds or inaccurate reporting were also noted in two reports by the DOE Inspector General. ^{1/} Therefore, unless steps are taken to improve the reporting system, DOE will continue to overstate the number of homes weatherized with DOE funds.

EFFORTS TO IMPROVE PRODUCTION RATES

Although overall program production through December 31, 1979, for all six States fell short of expectations, there was a substantial improvement in production which began late in 1979 and continued into 1980. This improvement began after DOE made a number of changes in program administration. However, the outlook for maintaining the higher level of production is not good, because (1) the high spending levels and production rates were sustained by a large carryover of unspent funds from prior years and (2) the cost per unit is likely to rise due to increased reliance on contract services.

Increased production rates

Monthly rates of nationwide production increased markedly in 1980 according to DOE reported data. The monthly production for January 1980 was 18,099 homes and by August 1980 it was 28,473 homes. This contrasts with an average monthly rate of about 9,300 homes in the first quarter of 1979, and about 12,300 homes in the third quarter of 1979.

Program performance improved substantially beginning in the latter half of 1979 in the six States we reviewed. The number of dwelling units weatherized steadily increased from about 5,400 in the quarter ended June 30, 1979, to about 18,700 in the quarter ended June 30, 1980 (see app. II). The number of units weatherized during the quarter ended June 30, 1980, was over three times the number completed during the quarter ended June 30, 1979.

Program changes made by DOE

In late 1979 and early 1980, DOE made several changes to improve the program and increase production. Among the principal changes were the elimination of exclusive reliance on CETA labor, and regulation revisions to increase allowable expenditures per unit, eliminate the ceiling on indirect program expenditures, and reallocate funds to States based on production.

^{1/} Reports of the Office of the Inspector General, DOE, on "The Peoria Weatherization Program," Report No. DOE/IG-0160, June 10, 1981, p. 9; and "The Weatherization Program in Virginia," Report No. IG-136, Nov. 18, 1980, p. 18.

Exclusive use of CETA and
volunteer labor no longer
required

ECPA requires that, to the maximum extent feasible, program labor be provided by volunteers, public services employment workers and training participants enrolled under the CETA program administered by the Department of Labor.

State and local officials in all six States cited difficulties in obtaining and using CETA labor as an obstacle to progress and effectiveness. The following illustrates some of the problems associated with reliance on CETA labor.

--Allocation of CETA slots is controlled by State and local agencies referred to as prime sponsors. State and local officials complained that prime sponsors put too little emphasis on assigning CETA workers to weatherization projects.

--A State official in Ohio said that difficulty in acquiring necessary skilled and unskilled labor had been a statewide problem. As a result, in 1979 and 1980 Ohio's legislature appropriated a total of \$9 million for a supplemental labor grant program to be used to pay wages and salaries of workers and supervisors.

--One LAA in Indiana planned its May and June 1980 production schedule on a crew strength of 72 persons. However, because it did not receive that many workers, the LAA achieved only 51 percent of planned production for May 1980 and only 22 percent of June's planned production.

--State and local officials in Michigan said that obtaining CETA employees had been a serious problem. One LAA official asked for over 50 workers but received only 21. Michigan officials said CETA workers often leave for better pay or benefits or simply because they do not like the weatherization work.

In September 1979, DOE issued interim rules and in February 1980 it issued regulations that authorized States and LAA's to use program funds to hire labor or contractors to perform weatherization if CETA labor was unavailable.

Changes in cost limits,
ceilings, and allocations

In February 1980, DOE revised the program regulations to

--increase the maximum allowable expenditure per unit from \$800 to \$1,000 and increase the limit per unit to \$1,600 to cover labor costs where CETA labor is determined unavailable;

--permit a State, with DOE approval, to establish a ceiling per dwelling unit for program support and labor costs; and

--permit DOE to make tentative allocations to the States and to subsequently reallocate funds based on production.

The limit of \$1,600 per unit was intended to cover added labor costs where CETA labor was unavailable and the LAA must employ labor or engage a contractor. Program support costs were previously limited to \$240 per unit, but this was believed to be too restrictive.

DOE made tentative fund allocations to the States in 1980 and subsequently adjusted them based on production. The impact of this procedure on funding in some of the States we reviewed was quite significant. For instance, New York had an initial tentative allocation of \$19.8 million which was subsequently reduced to \$8.2 million. Indiana, on the other hand, had an initial tentative allocation of \$5.2 million which was subsequently increased to \$14.9 million.

Outlook for future production

The higher production rates achieved in 1980 and planned in 1981 were possible, in part, because of a large carryover of unspent funds from prior years. As of December 31, 1979, the States had expended only about \$96 million of the \$288 million granted them from funds provided for operating DOE's weatherization program through fiscal year 1979. Additional funds were provided for operating the program in fiscal years 1980 and 1981 totaling about \$374 million.

DOE reported that State expenditures increased from a monthly average of about \$3.6 million in the first quarter of 1979 to about \$22.5 million in August 1980. ^{1/} The program was spending at an annual rate of \$270 million, and DOE anticipated weatherizing 310,000 homes in 1980 and 300,000 homes in 1981. DOE also anticipated that by December 31, 1981, all current and prior year funding would be expended.

We do not believe that DOE could sustain the higher production levels beyond 1981, because (1) less funds will likely be available (annual program funding for fiscal years 1979 through 1981 ranged from about \$175 million to about \$199 million), and the cost per unit will increase as more reliance is placed on contract services (the average cost per unit increased from \$490 in calendar year 1979 to \$790 in August 1980). Also, the administration's 1982 budget proposals will affect the production and unit cost of the program (see Ch. 5).

^{1/}"The Weatherization Assistance Program, Annual Report for 1980," DOE/CS-0209, Nov. 1980, pp. 10-11.

WEATHERIZATION WORK IS
INCOMPLETE OR INADEQUATE

We visited 75 homes which the 18 LAAs we reviewed had reported as weatherized during the period July 1979 through August 1980. We found 4 homes incompletely weatherized and 26 homes inadequately weatherized. State or LAA officials accompanied us during these visits.

In the four units incompletely weatherized, the LAA records indicated that the following work had been completed but our inspection disclosed that it was not:

--A storm door and five attic vents in a unit weatherized by an LAA in Michigan.

--Storm windows, storm doors, or insulation in two units weatherized by an LAA in New York. Caulking and weatherstripping in a unit weatherized by another LAA in New York.

In the 26 units where work was inadequate, we observed one or more of the following conditions. Weatherstripping around doors and windows was not finished or it was not securely fastened to assure an effective seal against infiltration. (In poorly maintained homes, infiltration around windows and doors may account for as much as 50 percent of the heating load). 1/ Cracks, joints, and holes were not caulked or the caulking was dried out and cracked or shrunk. Attics which had been insulated were not vented sufficiently. (In summer weather, attic vents allow heat which would radiate to living space below to escape. In winter weather, the vents allow moisture to escape. Moisture will condense in an unvented attic causing ceiling stains, dry rot, and loss of R-value in insulation). 2/

The following examples of conditions noted in three States illustrates the types of problems we found in the homes.

--We viewed 10 units weatherized by 3 Michigan LAAs. As noted above, the work in one unit was incomplete and the remaining 9 units had inadequate or improperly installed weatherstripping, caulking, attic vents, insulation, or storm windows.

1/"A Guide for Home Weatherization", California/Nevada Community Action Association, Community Services Administration, Region IX, Pacific Gas and Electric Company.

2/R is a unit of measurement for resistance to heat loss and gain. R is used to rate insulation. The higher the R, the better the insulation.

--We viewed 11 units weatherized by 2 Indiana LAAs and found inadequate work in 9 units. In 4 units, insulation was installed improperly, in 3 units too few attic vents were installed, and in 2 units insufficient caulking was applied, or it was applied poorly.

--We viewed 10 units weatherized by 2 Ohio LAAs and found inadequate work in 6 units. In 3 units, foundation or wall holes had not been sealed. In one unit the attic was insulated but no vents were installed. In 2 units the quality of the caulking work was poor.

Many LAA officials we contacted indicated that poor quality weatherization work was the result of labor problems. At the LAAs where we found problems with inadequate or incomplete work, we noted in many instances that adequate final inspections were not performed. At some LAAs the final inspections were performed by personnel involved in weatherizing the homes rather than by a staff member independent of the work crew.

The DOE Inspector General reported similar problems concerning incomplete or inadequate weatherization work in three recent reports. 1/

LOW-INCOME RENTAL UNIT WEATHERIZATION MOVES SLOWLY

About 56 percent of the Nation's low-income households are renter-occupied. However, our review of the six State programs disclosed that renter-occupied units received a disproportionately low emphasis. As a result, few low-income renter-occupied dwellings were planned to be weatherized compared to the percent of total low-income homes which are rental units. Our prior reports on the weatherization program disclosed similar situations in other States.

Program requirements

Neither ECPA nor program regulations require weatherization of renter-occupied dwelling units. ECPA states that if rental units are weatherized, DOE should ensure that (1) weatherization benefits go primarily to tenants, (2) rents will not be raised because of any increase in the value of dwelling units, and (3) no undue or excessive enhancement of the property will occur. If rental units are weatherized, DOE requires landlords to sign agreements designed to ensure that the ECPA requirements are met.

1/ Reports of the Office of the Inspector General, DOE, on "The Weatherization Program In Virginia," Report No. IG-136, Nov. 18, 1980, p. 20; "The Peoria Weatherization Program," Report No. DOE/IG-0160, June 10, 1981, pp. 5-7; and "The Weatherization Program in West Virginia," Report No. IG-122, Aug. 4, 1980, p. 21.

In its program report for 1979 ^{1/}, DOE stated that as a consequence of these requirements, there has been little incentive for landlords to cooperate in the weatherization effort by granting the required permission for weatherization work to be done on their property. DOE pointed out that many low-income rental units are owned by absentee landlords who are not readily accessible to program operators.

DOE also pointed out that many multifamily rental buildings are occupied by people of varying incomes, not all of whom could qualify for assistance. Under DOE program regulations, both renter and owner-occupied dwelling units are eligible for weatherization provided occupant income limitations are met. To encourage the weatherization of multifamily rental buildings, DOE changed the program's regulations in 1980 to provide that such buildings could be weatherized if families living in 66 percent of the dwelling units in a building met income eligibility requirements. The previous regulations required that all families in a multifamily rental building must meet the income eligibility requirements.

Rental unit weatherization in the six States

We found that few low-income renter-occupied dwelling units were included in plans for weatherization when compared to the percentage of total low-income homes which are rental units (see app. III). Only two of the six States we visited during this review included a nearly proportionate share of rental dwelling units in their weatherization plans for 1979. For example, in New York about 60 percent of the dwelling units eligible for weatherization were renter-occupied. The 1979 New York weatherization plan projected that about 45 percent of the homes to be weatherized that year would be renter-occupied. The percentage of rental units to be weatherized in the plans of four States, however, ranged from about 4 to 15 percent even though rental unit proportions ranged from about 32 to 68 percent of low income units. Similar conditions were found in most of the eight other States included in our last review.

In this and in prior reviews, we detected some reluctance to encourage weatherizing rental units from DOE regional office, State, and local agency officials. Regional officials told us that they do not plan to encourage the States to weatherize rental units because it is not required by the regulations and, in their opinion, the States should formulate their own policy regarding rental units. State and local officials expressed concern over their ability to comply with all State housing laws and at the

^{1/}"Status of the Weatherization Assistance Program, Annual Report for 1979," Department of Energy, Feb. 1980, pp. 17-18.

same time secure the effective cooperation of landlords in meeting the requirements of ECPA.

In response to our prior reports' recommendation for increased emphasis on weatherization of rental housing, DOE stated that it was examining ways to increase rental weatherization through a demonstration project authorized in New York.

DOE demonstration project

According to DOE, there is little incentive for landlords to cooperate in the weatherization effort because ECPA requires the benefit of weatherization assistance to accrue primarily to the low-income tenants.

Knowing that rental units had not been serviced to any great extent, DOE encouraged New York State in February 1980 to submit a proposal for a demonstration project in New York City. The project involves city-owned and privately-owned buildings, many of which were so energy inefficient that they were in danger of being abandoned or already have been abandoned or taken over by the City. An aim of the project is to prove to landlords, through demonstrated energy savings, that it is to their benefit to participate in the weatherization effort by permitting low-income rental units to be made more energy efficient through the DOE program.

Some of the problems to be addressed in the demonstration include: types of measures to be undertaken in large buildings, workable energy audit guides, and alternate approaches to establishing eligibility. The project began in March 1980 and includes about 19 subgrantees with contracts totaling about \$10.5 million. To enable DOE to learn from experiences in New York City so that successful procedures might be duplicated in other cities, DOE provided the State an additional grant of \$22,750 for an independent evaluation of the administration and results of the project. It is estimated that the evaluation will be completed by October 1981 at which time DOE would have information to use in deciding on ways to improve rental unit weatherization on a nationwide basis.

ADMINISTRATIVE EXPENSE LIMITATION CHANGED

Our last report said that the statutory limitation on administrative expenses could interfere with program operations. We recommended that DOE closely monitor the adequacy of administrative funds and, if necessary, ask the Congress to allow the States and local agencies to obtain enough money to effectively manage and monitor their programs. DOE supported increasing the limit for local agencies and recently revised the program regulations authorizing up to 10 percent for LAAs, based on legislation enacted in 1980.

Initial program regulations issued pursuant to ECPA, restricted administrative expenses to 10 percent of each State's grant without specifying how the funds were to be divided between the State and the LAAs. Regulations issued pursuant to NECPA changed this by allowing no more than 5 percent to be available for State office expenses and no more than 5 percent to be available for LAAs.

The Energy Security Act (Pub. L. 96-294, June 30, 1980) raised the limit on maximum funding for LAAs by authorizing the States to pass through up to 10 percent of their grants to LAAs for administrative expenses. On June 1, 1981, DOE published regulation amendments which provide that not more than 10 percent of any grant made to a State may be used by the grantee and sub-grantee for administrative purposes and that not more than 5 percent may be used by the State for such purposes.

CONCLUSIONS

The number of homes weatherized by DOE's program has substantially increased since our last report. However, some of the same problems we previously reported continue to impede the program. The number of homes reported by DOE as weatherized continues to be overstated because of reporting deficiencies. Without accurate data on the number of homes weatherized, DOE cannot adequately assess program progress or estimate energy savings.

Production improvements began in late 1979 and continued into 1980, after program revisions were made to eliminate exclusive use of CETA labor, and change cost limits, ceilings, and allocations. However, the outlook for maintaining the higher level of production is not good because (1) the high spending levels and production rates in 1980 and 1981 were sustained by a large carryover of unspent funds from prior years and (2) the cost per unit is likely to rise due to increased reliance on contract services.

The energy efficiency of many homes served by the program may not have been improved very much because the weatherization work in many homes we inspected was incomplete or inadequate. We believe that DOE should require inspections of homes by LAA staff independent of weatherization work crews.

Renter-occupied dwellings continued to receive disproportionately low emphasis in State and local weatherization programs. Because rental units comprise over half of the low-income housing units, we believe that to be successful the weatherization program must attempt to reach that sector. In view of the various problems in weatherizing rental units cited by DOE, and the ongoing demonstration project in New York, we are not making any recommendation on this matter in this report. We agree with DOE's plan to evaluate the New York demonstration project and, based on this experience, determine ways to improve rental unit weatherization on a nationwide basis.

The conditions concerning administrative expense limitations have changed since our last report. Recent changes in the law and DOE regulations now permit a State to pass through up to 10 percent of its grant to LAAs for administrative expenses. In view of this change, we are not making a recommendation on the matter in this report.

RECOMMENDATIONS

To improve the effectiveness of the program, we recommend that the Secretary of Energy

--revise the progress reporting system to ensure that DOE's regional operations offices and the States take adequate action to require accurate recordkeeping and reporting by local agencies, and

--require that an adequate inspection of weatherized units be made by LAAs before the units are reported as completed.

AGENCY COMMENTS

DOE concurred with our recommendations and stated that it has already initiated several actions to improve the accuracy and timeliness of grantees reporting to DOE and quality control in local agencies.

Concerning the progress reporting system, DOE said that it (1) implemented a new reporting system in October 1980 that requires States to report production and financial data monthly and (2) encouraged periodic monitoring visits of grantees and subgrantees by DOE regional operations offices. The new reporting system applies only to State reporting of data; however, a basic problem in inaccurate production reporting exists at the local agency level. Although the new reporting system should assist States in providing more accurate production data, DOE needs to ensure that its regional offices and the States take adequate action to require accurate record keeping and reporting by local agencies.

Concerning the need for adequate LAA inspection of weatherized units, DOE cited (1) interim regulations of February 27, 1980, that allow grantees more flexibility in management and monitoring of subgrantees, (2) regulation amendments of June 1, 1981, that allow local agencies to employ skilled labor and inspectors using DOE funds, and (3) draft monitoring guidelines.

The regulation changes allow the LAAs more flexibility in the use of DOE funds to pay for supervisory personnel. The draft monitoring guidelines are intended as a program manual for the States and should assist the States in providing better monitoring of LAAs. DOE needs to ensure, however, that its regional offices and the States take adequate action to require that adequate inspections are made by LAAs of weatherized units.

CHAPTER 3

UNCERTAIN ENERGY SAVINGS ESTIMATES

AND INADEQUATE HOME SELECTION PROCEDURES

The weatherization program can benefit low-income persons and save energy, but the extent to which the program is actually reducing energy costs and consumption in low-income homes still is not known by DOE or the States. DOE has recognized the need for such information and recently completed a study of energy savings. However, the reliability of the study is questionable because of sampling and data problems.

In our prior reports, we recommended that DOE develop procedures which would increase assurances that homes weatherized will result in the greatest amount of energy savings per dollar spent. DOE disagreed with our recommendation, citing the burden that it would place on LAA's and other procedures it had instituted. In view of the need to concentrate efforts on correcting more significant LAA problems before placing added burdens on them, we are not making a similar recommendation in this report.

ESTIMATING ENERGY SAVINGS

Recognizing the importance of measuring fuel savings attributable to the weatherization program, DOE has included savings estimates in its annual reports to the Congress. These estimates were based, however, on inconclusive local studies. DOE has recognized this, and recently completed a contract study of energy savings. The reliability of the recent study is questionable, however, because of sampling and data problems.

In its November 1980 report on the program, DOE estimated that weatherizing resulted in an average fuel savings of 14 percent per home. DOE says that is equal to 2,075,000 barrels of oil per year based on 830,000 homes weatherized as of August 1980 under the CSA and DOE programs. DOE is careful to point out the following cautions on assumptions inherent in the estimate.

- Weatherization in the early years of the Federal programs achieved energy savings equivalent to those resulting from weatherization being done today, and those savings continue to accrue. DOE states that this assumption is highly questionable, since homes weatherized in the early years were done at a much lower cost.
- Energy savings has always been a difficult area in which to gather data, for a number of reasons. There are great variations in the types and conditions of dwelling units weatherized, in climatic conditions, and in the prices of fuels. Records of fuel purchases before and after weatherization are frequently not readily comparable. In addition, there may be some cases where weatherization

activities may lead to short-term increases, rather than decreases, in energy use. Some people may open up more rooms in their homes, or may raise their thermostats, once the weatherization measures take effect and heating bills start to go down.

In addition to the cautions noted by DOE, we note two additional problems with the estimate. The 830,000 dwelling units used in computing the savings are overstated by an unknown amount due to the reporting deficiencies discussed in chapter 2. Also, the average savings per unit was based on a very limited pilot study.

DOE's savings estimate was based on a pilot study conducted for the State of Minnesota. According to DOE, the savings in this study ranged from a high of 17.49 percent to a low of 9.37 percent. The results were based on a survey of 59 sample group and 37 control group homes representing the population of all weatherized and non-weatherized low-income homes in the State. However, the survey was not based on a random sample.

Because the Minnesota and other prior studies of the program's energy savings were geographically limited and contained other statistical deficiencies which affected their reliability, DOE planned to conduct a nationwide study incorporating standard statistical approaches designed to assure maximum reliability. The nationwide study was dropped because of the 1982 budget proposal to transfer the program to HUD, and a curtailed review, making use of readily available but limited studies from various States, was completed in April 1981.

The April 1981 study indicated that energy savings in the weatherized units sampled ranged from 21 to 29 percent. The mean value of the sample energy savings was 23.4 percent. The study also indicated that the payback period of weatherization materials used in the sample units ranged from 2.4 to 5.2 heating seasons. The mean value of the payback period was 4.0 heating seasons.

The April 1981 study was based on prior State studies made in five States or localities within the States. Included were Luzerne County, Pennsylvania; Spokane, Washington; Kansas City, Missouri; and the States of Utah and Louisiana. Data problems impairing the reliability of study results included limited geographic representation, inadequate use of sample control groups, generalized information on weatherization materials costs, and inconsistent consideration of secondary fuel usage such as wood.

SELECTION OF HOMES TO BE WEATHERIZED

In our prior reports, we recommended that DOE take appropriate steps to assure that dwelling units to be weatherized are selected on the basis of the greatest potential energy savings per dollar spent while at the same time assuring that the target

population (low-income elderly and handicapped) benefits from the program. We noted in our past reports and in our current review in the six States that the LAAs we visited were selecting homes on a "first come, first served" basis without adequate consideration of energy savings.

DOE did not concur with this recommendation, stating that the program is a highly decentralized one, with the LAAs given considerable discretion as to determining eligible recipients and deciding the order in which these potential recipients are to be served. DOE believes that the LAAs are best able to make such decisions because they are most familiar with the varying needs and conditions of the low-income people in their areas. While energy savings will always be an important consideration in weatherizing homes under the program, DOE is also just as concerned with aiding those persons least able to afford higher utility costs.

In addition, DOE is convinced that the GAO approach to prioritizing homes would be difficult, if not impossible, to carry out with resources available to the LAAs. DOE believes that burdening the LAA's with a regulatory requirement to maintain constantly updated lists of potential eligibles ranked by energy savings would be an unrealistic demand. Most LAA's are hard pressed to complete the various reports already required of them, and therefore DOE stated that many would not have the resources available to undertake the energy audits which the GAO procedure would require.

DOE also cited procedural revisions made in 1979 that provide the LAA with a list of weatherization measures ranked by cost-effectiveness, against which it can compare the various measures needed in a given home, without going through an elaborate energy audit of the home. DOE believes that the end result is a single, effective procedure which requires a minimal amount of time and resources and permits the LAAs to concentrate on their main objective, which is the weatherization work itself.

We continue to believe that, under DOE's current procedures requiring States to determine the optimum set of cost-effective weatherization measures, a ranking of the type we suggested could be developed. However, we recognize the many problems and limited resources at the LAAs that DOE cited, and we discuss some very significant problems in quality of work and progress reports in chapter 2 and financial management in chapter 4. Therefore, in view of the additional burden that our prior recommendation would place on LAAs, we are not making a similar recommendation in this report. We believe that, before any added burdens are placed on LAAs, efforts should be concentrated on correcting the more significant problems in quality of work and LAA financial management which have existed since the program's beginning.

CONCLUSIONS

Since 1977, the Congress has provided about \$655 million for DOE's low-income weatherization program. The program can benefit low-income persons and save energy, however, DOE does not have reliable data on energy savings resulting from the program. DOE recognized the usefulness of savings estimates in evaluating program effectiveness and recently completed a study of energy savings. However, the reliability of this study is questionable. Therefore, we continue to believe that a reliable estimate of energy savings is essential for an adequate assessment of the program.

In view of the need to concentrate efforts on correcting more significant and long-standing LAA problems before placing added burdens on them, we are not repeating our past recommendation concerning LAA selection of homes to be weatherized.

RECOMMENDATION

We recommend that the Secretary of Energy obtain statistically valid data to determine the energy savings resulting from the weatherization program.

AGENCY COMMENTS

DOE concurred in our recommendation. However, DOE stated that it has obtained adequate estimates on energy savings which are consistent with other studies in this area. DOE cited its April 1981 study (see p. 19) and stated that its results are consistent with recent data collection efforts by the National Bureau of Standards, Lawrence Berkley Laboratory, and other researchers. DOE stated that, in an ongoing effort with the Department of Health and Human Services, it was researching the energy savings resulting from different levels of energy conservation investment. DOE believed that data from these studies should provide an adequate basis for program evaluation consistent with the intent of our recommendation.

As we previously noted, the reliability of the April 1981 DOE study was impaired by various data problems. The National Bureau of Standards study was done in conjunction with CSA for the purpose of research and not to determine if typical low-income weatherization projects achieve improvements in energy efficiency. The National Bureau of Standards specified the conservation measures to be used (weatherization tended to be carried further than the typical low-income program especially in the use of wall insulation and heating system modifications) and exercised selectivity in choosing houses to be included. A DOE program official said that their information regarding data collection efforts by Lawrence Berkley Laboratory and other researchers was based on conversations with those researchers and he did not have copies of any studies or data by these researchers.

The ongoing effort with the Department of Health and Human Services is being done by a contractor. With respect to low-income weatherization energy savings, the contractor will provide (1) a bibliography of existing studies done to date and (2) an analysis of those studies to determine their validity and whether they indicate similar patterns and conclusions concerning energy savings and cost effectiveness. A DOE program official indicated, however, that for the most part the studies to be analyzed by the contractor were included in the April 1981 DOE study or were previously known by DOE. Although the contractor may obtain a few additional studies, DOE does not expect that any significant new data will be found.

Therefore, we do not believe that DOE's past and ongoing data collection efforts are sufficient to correct the problems we noted. We continue to believe that DOE needs to gather statistically valid data to determine improvements in energy efficiency achieved by typical low-income weatherization projects. Such information is needed to determine the extent to which the program is reducing energy costs and consumption and to evaluate the effectiveness of the various weatherization measures used.

MATTER FOR CONSIDERATION BY THE CONGRESS

Since it appears that the Congress intends to continue funding low-income weatherization at a substantial level, it is very important that the Congress have valid information on what the program is accomplishing, particularly in a time of budget constraints. In view of this and the fact that we do not believe that DOE's past and ongoing data collection efforts are sufficient to correct the problems we noted, the Congress may wish to require that DOE give particular attention to developing reliable data on energy savings.

CHAPTER 4

FINANCIAL MANAGEMENT AND PROGRAM

MONITORING SYSTEMS CAN BE IMPROVED

Deficiencies in the financial management and/or monitoring systems at the LAA, State, and DOE levels continue to exist. Many LAAs reviewed by us were not maintaining adequate accounting and inventory systems. Additionally, most of the State offices we visited did not have financial management and monitoring systems on which DOE can rely for assurances that (1) LAA accounting, inventory, and unallowable expenditure problems are identified and corrected and (2) financial status reports are accurate. Moreover, DOE's ability to monitor the States and LAAs to obtain assurances that financial management and reporting problems are identified and corrected has been limited by a lack of permanent monitoring staffs. In recent reports on State and local weatherization programs, the DOE Inspector General has noted many of the same problems concerning LAA accounting and inventory controls and State and DOE monitoring.

In late 1979, DOE began requiring its regional offices and the States to develop adequate monitoring programs. Most of the States we visited during this review, however, did not yet have programs that were in full operation. They were adding monitoring staff and designing their monitoring programs. Monitoring programs of the regional offices we visited continued to be limited due to a lack of staffing.

INADEQUATE FINANCIAL CONTROLS AT LOCAL ADMINISTERING AGENCIES

Many of the LAAs we visited did not maintain financial management systems which met Federal requirements designed to assure that grant funds are controlled, spent, and accounted for properly. The recent reports by the DOE Inspector General and GAO also found similar problems at LAAs.

Office of Management and Budget (OMB) Circular A-102 requires, among other things, that grantee financial management systems provide for: records that identify the source and application of funds for grant-supported activities; effective control over the accountability for all funds, property, and other assets; accurate, current, and complete disclosure of the financial reports of each grant program; and accounting records that are supported by source documentation.

The extent to which financial management systems of the LAAs we visited met the requirements of OMB Circular A-102 varied considerably. A lack of control over the accountability for weatherization materials was a dominant problem. The inventory control system of 8 of the 18 LAAs we visited was inadequate. The following examples illustrate the type of problems we found with financial and inventory systems.

--At one Michigan LAA, an independent CPA questioned all 1979 expenditures for weatherization materials. According to the audit, a cost system was not established and it was difficult to determine expenditures on weatherized homes. This LAA's warehouse, containing \$40,000 to \$60,000 in tools, equipment, and materials, had been broken into and theft occurred.

--At a New York LAA, we found that purchase orders for materials were prepared after the fact. Workers would go to a store and pick up materials and return with a receipt which would be used to prepare a purchase order. Materials not used on a specific job would be recorded as inventory on hand. Issues of such materials from inventory were recorded and a monthly physical inventory of materials was taken but no attempt was made to reconcile receipts and issues to the monthly inventory balances.

Similar problems of inadequate financial management at LAAs were also addressed in two recent GAO reports 1/ and in three recent reports by the DOE Inspector General. 2/ For example, a report by the DOE Inspector General on West Virginia's weatherization program concluded that LAAs were not adequately accounting for Federal funds and materials and found a widespread pattern of program abuses that included embezzlement and conversion of LAA property. The report attributed these problems to inadequate oversight by responsible State and DOE officials.

IMPROVEMENTS NEEDED IN STATES' FINANCIAL CONTROL AND MONITORING SYSTEMS

The monitoring and financial control programs of most States we visited need improvement. The States' financial and monitoring responsibilities consist of (1) maintaining financial management systems which meet the requirements of OMB Circular A-102, (2) submitting quarterly reports to DOE which reflect the overall status of grant funds, and (3) monitoring LAAs for compliance with the regulations and guidelines applicable to the weatherization program.

1/"Weak Financial Controls Make the Community Services Administration Vulnerable to Fraud and Abuse," FGMSD-80-73, Aug. 22, 1980; and "Internal Control Weaknesses Contributed to the Mismanagement and Misuse of Federal Funds at Selected Community Action Agencies," AFMD-81-54, July 10, 1981.

2/Reports of the Office of the Inspector General, DOE, on "The Weatherization Program In Virginia," Report No. IG-136, Nov. 18, 1980, pp. 16-19; "The Weatherization Program in West Virginia," Report No. IG-122, Aug. 4, 1980, pp. 12-20; and "The Peoria Weatherization Program," Report No. DOE/IG-0160, June 10, 1981, pp. 8-13.

The States keep track of LAA expenditures through monthly vouchers or invoices submitted by LAAs. Only two of the States included in this review required LAAs to provide copies of supporting documents, such as supplier invoices and cancelled checks which could be used to verify the accuracy and allowability of reported expenditures. The other four States must rely on annual LAA audits required by DOE and performed either by a State auditor or a Certified Public Accountant (CPA), and on-site monitoring performed by State personnel to obtain assurance that expenditures reported by the LAAs are accurate and allowable.

However, these CPA audits are not always useful for monitoring purposes, and in the case of one State they were not being reviewed. We reviewed annual CPA audit reports on several California LAAs, but these audits presented financial statements which served little use for monitoring purposes. None of the reports cited contractual goals versus accomplishments, and if any of the audits included a review of inventory control or quality control procedures, it was not mentioned in the body of the reports.

In our last report, we recommended that DOE require that the scope of annual CPA audits of LAAs include work which will determine whether financial management systems meet Federal requirements and whether program expenditures are allowable, as recommended in GAO's "Standards For Audit of Governmental Organizations, Programs, Activities and Functions." Subsequently, DOE instructed the States to assure compliance with the GAO standards in any audits of program activities. The CPA audits that we reviewed in this report were completed before issuance of this instruction.

While CPAs made reviews at Michigan LAAs, the State office had not systematically examined the CPA reports it received to determine corrective actions needed. At the time of our review, the State office had no idea how many CPA reports were received or should have been received. In August 1980, the Director of the State office told us he had asked for a summary of findings in some 88 CPA reports that had been received and would decide on actions needed based on summary information.

By mid-1980, four States were operating LAA monitoring programs and two States were in the process of developing and implementing LAA monitoring programs. However, the monitoring programs of 3 of the 4 States with operating programs were inadequate because (1) the program covered only program evaluation and quality areas and did not include an assessment of financial management and controls and/or (2) the monitoring records were not maintained on an adequate and consistent basis and some could not be located.

For example, our review disclosed that Indiana's monitoring records may not always be prepared and filed. Monitoring records for the first 6 months of 1980 for one of two LAAs we reviewed could not be located. Monitoring records provide a continuing history of LAA problems and their resolution.

DOE ON-SITE MONITORING IS LIMITED

DOE's ability to assure that financial management and reporting problems are identified and corrected has been limited by a lack of on-site monitoring of State systems and reports. Considering the problems with financial management at the local level and monitoring by the States previously discussed, we believe that DOE should periodically test the reliability of the States' monitoring systems and program reports.

ECPA requires DOE to monitor and evaluate the operation of weatherization projects through on-site inspections, periodic evaluations, or any other means DOE deems necessary. Additionally, OMB Circular A-102 requires Federal grantor agencies to make site visits as frequently as practicable to (1) review program accomplishments and management control systems and (2) provide technical assistance that may be required.

While DOE has succeeded in getting the States to improve their systems for monitoring LAAs, as previously discussed, DOE was relying almost completely on these State systems to produce the assurances it needs. DOE on-site monitoring of the State systems and reports was very limited, with most monitoring being conducted by telephone or through correspondence. Regional officials stated that the limited monitoring was the result of insufficient staffing.

On-site visits by regional office staff to State and local weatherization offices were limited. Regional officials told us they were unable to do much more on the weatherization program because of staffing limitations. Weatherization program staffing generally consisted of two or three specialists at each of the regional offices we visited. However, at one office we were told that until about March 1980, the program had only one staff member. At another region we were told that part-time employees borrowed from other DOE programs were used in monitoring State operations. Unfortunately, soon after they were trained they went back to their previous programs. These part-time members were used for a period of about 6 months.

Functions performed by DOE regional program staffs included State grant application review, receipt of State quarterly financial status and narrative reports, and limited on-site visits to LAAs. State grant applications were reviewed for compliance with program regulations. Since early 1980, the regional offices had been requesting and monitoring monthly reports of production goals and actual production for the States.

Financial status reports were not always reviewed. Questions about delinquent reports or reports concerning errors in arithmetic were generally handled by phone. At one region the staff member responsible for assessing the accuracy of these reports told us that he simply did not have time to review the reports submitted by over 30 program operators in the region. At another regional

office we were told that they rely on subsequent financial audits of the grantee to establish the accuracy of the reports. Grantee financial audits may not be completed until several years after grants are awarded.

Most on-site monitoring occurred primarily during 1978. At one regional office we were told that during 1978 a staff of four persons, some detailed from other offices and functions, made monitoring visits. Within the six States comprising the region they visited about 62 LAAs and 5 weatherized homes at each LAA. The temporary staffing arrangement ended in November 1978, and during 1979 on-site monitoring was limited to emergencies and to resolving problems found in grant application reviews.

At another regional office we were told that little monitoring of the States had been done in the past. The region was planning to have its program staff spend 60 percent of its time at either the States or the LAAs. The official indicated that most work would probably be done at the State level.

Three recent reports by the DOE Inspector General also cited inadequate DOE monitoring of the weatherization program. 1/

CONCLUSIONS

Many LAAs reviewed by us and by the DOE Inspector General were not maintaining financial management systems meeting Federal requirements designed to assure that grant funds are controlled, spent, and accounted for properly. A lack of control over and accountability for weatherization materials was a dominant problem. The States are responsible for monitoring LAAs for compliance with the regulations and guidelines applicable to the weatherization program. Many of the States we visited, however, did not have financial management and monitoring systems which DOE can rely on for identifying and correcting accounting, inventory, and financial status reporting problems at LAAs. By mid-1980 all six States began or were developing on-site monitoring programs. However, several State monitoring programs were deficient either because they did not cover financial matters or monitoring records were not adequately maintained.

DOE's ability to assure that financial and program management problems at the States and LAAs are identified and corrected has been limited by a lack of on-site monitoring of State systems and reports. DOE relies almost completely on State monitoring systems to fulfill DOE's needs. DOE contends that insufficient staffing is a contributing factor to this problem. We believe that

1/ Reports of the Office of Inspector General, DOE on "The Weatherization Program in Virginia," Report No. IG-136, Nov. 18, 1980, p. 23; "The Weatherization Program in West Virginia," Report No. IG-122, Aug. 4, 1980, p. 2; and "The Peoria Weatherization Program," Report NO. DOE/IG-0160, June 10, 1981, p. 17.

DOE should periodically test the reliability of State monitoring systems and reports.

RECOMMENDATION

We recommend that the Secretary of Energy instruct DOE operations offices to periodically assess State weatherization programs for adequacy of State monitoring and accuracy of program reports.

AGENCY COMMENTS

DOE concurred in our recommendation to periodically monitor State weatherization programs. DOE stated that it increased the level of monitoring beginning in the Spring of 1980 and will continue to implement the recommendation subject to budget and travel restraints.

However, as previously noted, DOE recently announced a field structure realignment under which the functions of DOE's 10 regional offices will be scaled down significantly and assumed by DOE's 8 operations offices. A DOE program official was unsure of what effect this would have on the level of regional staffing for monitoring the weatherization program.

CHAPTER 5

EFFECT OF FISCAL YEAR 1982 BUDGET PROPOSALS

The administration's fiscal year 1982 budget proposed to terminate DOE's low-income weatherization program and incorporate it into HUD's Community Development Block Grant Program. The administration made other budget proposals that would effectively curtail or eliminate DOE's current methods for providing weatherization services and likely result in increased cost per unit and a slowdown in weatherization efforts. The Congress also considered several proposals for energy block grant programs which included low-income weatherization. 1/ However, recently enacted legislation authorized the continuance of the weatherization program in DOE. 2/ Although the program will remain in DOE for fiscal year 1982, it is likely that similar proposals may be considered in the next session of the Congress. Therefore, we are stating our views on the potential impacts of the budget proposals.

In a congressional hearing concerning proposed energy block grants, we pointed out our general support of the block grant concept and the potential impacts of the administration's budget proposals. 3/ We stated that in determining the future of the weatherization program, the Congress would have to weigh these potential impacts against the possible advantages of consolidating the weatherization program into the HUD or some other form of energy block grant program.

MERGER OF WEATHERIZATION INTO A BLOCK GRANT

In examining a variety of grant programs, we have supported the concept of (1) consolidating separate categorical programs having related objectives and serving similar target populations, (2) placing management responsibility for similar programs in the same agency, and (3) giving the States greater flexibility to match resources with needed priorities.

1/In a report entitled "Options for Establishing an Energy Conservation Consolidated Grant Program," EMD-81-115, July 8, 1981, to the Chairman, Subcommittee on Energy Conservation and Power, House Committee on Energy and Commerce, we presented for consideration various options for establishing an energy conservation consolidated grant program.

2/See footnote 1 on p. 3 for description of recently enacted legislation affecting the weatherization program.

3/"Statement of J. Dexter Peach, Director, Energy and Minerals Division, Before the Subcommittee on Energy Conservation and Power, House Committee on Energy and Commerce, on Energy Block Grants," General Accounting Office, May 28, 1981.

Our longstanding position has been that the consolidation of fragmented and restrictive categorical grants into broader purpose programs is fundamental to improving the administration of Federal assistance programs at all levels of Government. The categorical grant system has fostered an unwieldy and fragmented system for delivering public services. Categorical grants are often too restrictive to meet actual service needs at the State and local level and the burden of monitoring a coordinated effort to deliver federally assisted services falls on the grantee. This causes management problems at the State and local level as grantees attempt to reconcile grant programs with separate and, at times, conflicting standards and requirements.

In addition to creating a variety of administrative problems, the proliferation of categorical programs has considerable impact on State and local priorities. By providing assistance in narrowly defined areas of national priorities, the Federal Government induces State and local involvement into programmatic ventures that they otherwise may not have funded. However, because of matching and maintenance of effort requirements as well as long-term costs which can be involved in operating federally assisted programs, State and local funds have also been enticed into these new areas. In this new era of State and local budgetary constraints, the dividend of fiscal growth is no longer available to cushion the cost impact of Federal grants. Localities in cutback situations find that federally funded programs and basic services not eligible for Federal grants compete with each other for shrinking local dollars.

Federal grants available for a broader range of purposes would increase State and local discretion and move toward supporting rather than changing State and local priorities. Block grants seek to achieve this goal by providing assistance for a broad range of purposes in a functional area, thereby maximizing flexibility and easing administrative burdens at State and local levels.

As to our specific views regarding the potential impacts of merger of the weatherization program into HUD's block grant program, we believe that weatherization (1) could lose its identity and priority, (2) could be less available in rural areas, (3) would not necessarily experience reduced costs and improved quality, and (4) would likely have less funds available.

Lack of identity and priority

The lack of an identity and priority for weatherization within the block grant program, as compared to the present DOE program, could result in fewer homes being weatherized. Under the HUD block grant program, communities can choose from a wide range of activities, and have broad latitude in designing their own rehabilitation programs including the type and amount of work, income eligibility, and financing techniques. In a recent report on the HUD block grant program--the program into which the weatherization program was to be merged--we noted that the lack of restrictions on how

funds may be used was resulting in communities not effectively targeting funds to address the greatest developmental needs. 1/ This could also occur with weatherization, since, in keeping with the block grant approach, the emphasis placed on weatherization may vary considerably among communities.

Possibility of less weatherization in rural areas

About 38 percent of the low-income population lives in rural areas. Since the HUD grant program is primarily for urban areas, most low-income persons in rural areas may not be reached by Federal weatherization assistance.

The HUD grant program provides funds (about 25 percent of total block grant program funds) under a "Small Cities Program" for grants to small cities for the same purposes as under the large cities programs. Although the same flexibility exists for local governments to design their own programs as in the large cities program, HUD has discretionary authority to approve or disapprove these grants. 2/

The sole remaining Federal low-income weatherization program for rural areas will be a loan and grant program administered by the Farmers Home Administration where funds go to owner-occupants who are 62 years of age or older. Nationwide, about 56 percent of low-income households are renters and only about 14 percent of the low-income population is elderly.

Increasing costs and quality of work

In its justification for transferring the program to HUD, the administration stated that the DOE program has been plagued by increasing costs and accountability problems. We have also noted these problems, but we do not believe that changing agencies will necessarily improve the situation. Part of the increased cost in the DOE program was due to the shift from sole use of subsidized labor to partial use of contractor or hired labor. Because of proposed CETA reductions, more weatherization work will have to be contracted out, and regardless of whether it is in DOE or HUD, the cost to weatherize a unit will increase. In our report on the HUD block grant program we noted that the program also has quality

1/"The Community Development Block Grant Program Can Be More Effective in Revitalizing the Nation's Cities," CED-81-76, Apr. 30, 1981.

2/The Omnibus Budget Reconciliation Act of 1981 (Pub. L. 97-35, Aug. 13, 1981) provides that 30 percent of total block grant program funds will be allocated to the "Small Cities Program" and gives the States the option of administering the program directly.

problems, such as poor workmanship and payments to contractors for work not done, and inadequate HUD monitoring of grantees.

Potential of less funding
for weatherization

In justifying the transfer of the program, the administration stated that the DOE program would take 50 to 100 years to reach all eligible low-income households in the Nation, implying that transferring the program to HUD could accomplish the task more quickly. Based on the current annual funding and progress of the DOE program, it would take about 50 years to reach all low-income households--estimated at 12 million units. However, it would also require about \$10 billion to accomplish the task, and unless funding of weatherization under the HUD program is significantly increased over the level of DOE funding, it is not reasonable to assume that HUD could accomplish the task quicker than DOE.

The net effect of the administration's proposal is a potential of less funding in fiscal year 1982 for the block grant program and less funding for weatherization than in the past under the DOE program. The administration's proposal for the HUD program would increase its appropriation by about \$471 million, while at the same time merging into it, without any added funding, low-income weatherization and several other programs that were appropriated about \$1 billion in fiscal year 1981.

EFFECT OF OTHER BUDGET PROPOSALS

Even if the weatherization program was to remain in DOE, two other administration budget proposals for 1982 would effectively curtail or eliminate DOE's current methods for providing weatherization services and would likely result in increased costs per unit and a slowdown in weatherization efforts. 1/

For the CETA program that provides labor for the weatherization program, the 1982 budget proposes a reduction of about \$856 million from 1981 levels. Therefore, the cost to weatherize a home would significantly increase due to the need to contract for more weatherization services, and fewer homes could be completed with the same funding.

The 1982 budget also proposes to eliminate CSA and provides that social program activities formerly financed through community action agencies would be available under block grants to the States and local communities. Decisions on the services to be offered and funding will be made at the State and local levels. Therefore, if States and local communities decide not to use community action agencies, a new method for implementing weatherization would have to be found.

1/See footnote 1 on p. 3 for description of recently enacted legislation affecting weatherization program.

CONCLUSIONS

In examining a variety of grant programs, we have generally supported the block grant concept. We also believe that low-income weatherization, whether in the form of a categorical or block grant program, could go a long way toward reducing the energy bills of low-income households--now estimated at about 12 million. Also, a successful program could affect the Low-Income Energy Assistance Program, a Federal program providing assistance to low-income persons for payment of home energy costs. Funding for this program totaled about \$2 billion in the fiscal year 1981 budget.

The merger of the weatherization program into HUD's block grant program could potentially impact on weatherization's identity, priority, availability in rural areas, and funding. Also, other budget proposals would likely result in increased cost per unit and a slowdown in weatherization efforts even if the program were to remain in DOE. In determining the future of the weatherization program, the Congress will have to weigh these potential impacts against the possible advantages of consolidating the weatherization program into the HUD or some other form of energy block grant program.

APPENDIX I

APPENDIX I

LIST OF DOE REGIONS AND STATES
INCLUDED IN GAO'S THREE REVIEWS

DOE Regional Offices	States in the regions participating in weatherization program	States included in GAO review		
		1977	1978	1979
Atlanta	Alabama Florida Georgia Kentucky Mississippi North Carolina South Carolina Tennessee	Ky. N.C.		
Boston	Connecticut Maine Massachusetts New Hampshire Rhode Island Vermont		Conn. Mass.	
Chicago	Indiana Illinois Michigan Minnesota Ohio Wisconsin			Ind. Mich. Ohio
Dallas	Arkansas Louisiana New Mexico Oklahoma Texas		La. Tex.	
Denver	Colorado Montana North Dakota South Dakota Utah Wyoming	Colo. N. Dak.		
Kansas City	Iowa Kansas Missouri Nebraska	Mo. Neb.		
New York	New Jersey New York			N.J. N.Y.

APPENDIX I

DOE Regional Offices	States in the regions participating in weatherization program	States included in GAO review		
		1977	1978	1979
Philadelphia	Delaware District of Columbia Maryland Pennsylvania Virginia West Virginia		Md. Pa.	
San Francisco	Arizona California Nevada	Calif.		Calif.
Seattle	Alaska Idaho Oregon Washington		Idaho Wash.	

APPENDIX I

States included in GAO review		
1977	1978	1979
	Md. Pa.	
Calif.		Calif.
	Idaho Wash.	

APPENDIX II

APPENDIX II

UNITS WEATHERIZED BY QUARTERS
ENDING JUNE 30, 1979 TO JUNE 30, 1980
FOR THE SIX STATES GAO REVIEWED

<u>QUARTER ENDING</u>	<u>CA</u>	<u>IN</u>	<u>MI</u>	<u>NJ</u>	<u>NY</u>	<u>OH</u>	<u>TOTAL</u>
June 30, 1979	862	744	1,691	496	1,090	540	5,423
Sept. 30, 1979	863	1,821	1,315	516	1,843	718	7,076
Dec. 30, 1979	2,508	1,874	1,176	600	1,508	956	8,622
March 31, 1980	2,273	2,090	1,271	831	1,491	1,878	9,834
June 30, 1980	2,219	4,271	3,513	672	4,422	3,595	18,692

APPENDIX III

PROGRESS MADE IN WEATHERIZING RENTAL
UNITS AS OF DECEMBER 31, 1979
FOR THE SIX STATES GAO REVIEWED

Eligible Units	CA	IN	MI	NJ	NY	OH
All units eligible for weatherization	819,000	175,746	333,000	396,150	665,000	550,181
Estimated renter occupied units	581,490	96,660	105,000	269,354	399,600	300,027
Renter occupied units as a percent of all units eligible	71	55	32	68	60	55
Renter occupied units targeted as a percent of all units targeted in yearly plans						
1977 plan	a/	-0-	-0-	5	60	8
1978 plan	a/	10	-0-	7	50	4
1979 plan	70	10	15	13	45	4

Weatherized Units

All units weatherized through 12-31-79	7,337	5,438	10,718	4,469	8,488	6,180
Renter occupied units	825	306	-0-	b/	b/	256
Renter occupied units as a percent of all units weatherized	13	6	-0-			4

a/This information was not readily available.

b/Reported completion data did not distinguish between renter-occupied and owner-occupied units.

APPENDIX III



Department of Energy
Washington, D.C. 20585

AUG 20 1981

Mr. J. Dexter Peach
Energy and Minerals Division
U.S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Peach:

We appreciate the opportunity to comment on the General Accounting Office (GAO) draft report, "Improved Progress But Uncertain Quality and Savings in Program to Weatherize Low-Income Households." The draft report examines the administration and implementation of the Department of Energy's (DOE) Weatherization Assistance Program.

On July 31, 1981, DOE personnel met with GAO staff to review the text of the draft report and make technical corrections. This letter constitutes formal DOE comments in response to GAO's specific recommendations.

GAO Recommendation

"...Revise the progress reporting system to ensure that the total number of homes weatherized under DOE's program is identified and reported accurately."

DOE Comment

DOE concurs with the recommendation and has already initiated several actions to improve the accuracy and timeliness of grantees' reporting to DOE.

1. DOE implemented a new reporting system effective October 1980 requiring production and financial data to be reported monthly.
2. DOE encouraged periodic monitoring visits of grantees and subgrantees by DOE Regional/Operations Offices.

GAO Recommendation

"...Require that an adequate inspection of weatherized units be made by LAAs before the unit [sic] are reported as completed."

DOE Comment

DOE concurs in this recommendation and has already initiated several actions to improve quality control in local agencies.

1. DOE published an interim regulation on February 27, 1980, that allows grantees more flexibility in the management and monitoring of subgrantees.
2. DOE distributed draft monitoring guidelines (including an inspection checklist) to the field staff and program grantees on February 2, 1981.
3. DOE published regulation amendments on June 1, 1981, that allow local agencies to employ skilled labor and inspectors using DOE funds.

GAO Recommendation

"...obtain adequate data and estimates on energy savings resulting from the weatherization program."

DOE Comment

DOE concurs in this recommendation. DOE has obtained adequate estimates on energy savings which are consistent with other studies in this area. DOE has completed a study with a sample of over 250 homes. The results of the study are consistent with recent data collection efforts by the National Bureau of Standards, Lawrence Berkeley Laboratory and other researchers. In a joint effort with the Department of Health and Human Services, DOE is now researching the energy savings resulting from different levels of energy conservation investment. This research should be completed by the end of September 1981. The data from these studies should provide an adequate basis for program evaluation consistent with the intent of the recommendation.

GAO Recommendation

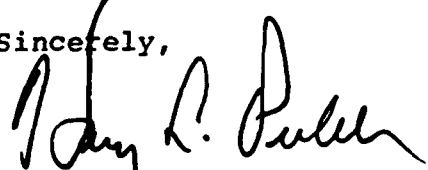
"...instruct DOE regional offices to periodically monitor State weatherization programs to assess the adequacy of State monitoring programs and to test the accuracy and reliability of program reports."

DOE Comment

DOE concurs in this recommendation to periodically monitor. DOE increased the level of monitoring of grantees and subgrantees beginning in Spring of 1980. DOE will continue to implement this recommendation subject to budget and travel restraints.

Thank you for the opportunity to comment on this draft report so that DOE input can be considered in preparing the final report. As discussed at the July 31, 1981, meeting, DOE would appreciate receiving any specific information on quality control problems found in local action agencies so that appropriate action may be taken.

Sincerely,


for William S. Heffelfinger
Assistant Secretary
Management and Administration

LIST OF LOCAL ADMINISTERING AGENCIES
COVERED IN THE GAO REVIEW

- | | |
|---|----------------------|
| 1. Economic Opportunity Commission of San Mateo County, Inc. | Redwood City, Calif. |
| 2. Fresno County Economic Opportunity Council | Fresno, Calif. |
| 3. Orange County Community Development Council | Santa Ana, Calif. |
| 4. Southeastern Indiana Economic Opportunity Corp. | Aurora, Ind. |
| 5. Wayne Community Action Commission, Inc. | Richmond, Ind. |
| 6. Muskegon Oceana Community Action Against Poverty, Inc. | Muskegon, Mich. |
| 7. Neighborhood Services Department | Detroit, Mich. |
| 8. Oakland-Livingston Human Services Agency | Pontiac, Mich. |
| 9. Camden County Council on Economic Opportunities | Camden, N.J. |
| 10. Checkmate Inc. | Asbury Park, N.J. |
| 11. Middlesex County Economic Opportunity Corp. | New Brunswick, N.J. |
| 12. Commission of Economic Opportunity for the Rensselaer County Area, Inc. | Troy, N.Y. |
| 13. Peoples Equal Action and Community Effort, Inc. | Syracuse, N.Y. |
| 14. Utica Community Action Inc. | Utica, N.Y. |
| 15. Washington County Economic Opportunity Council, Inc. | Hudson Falls, N.Y. |
| 16. Westchester Community Opportunity Program Inc. | Elmsford, N.Y. |
| 17. Tri-County Community Action Agency | Athens, Ohio |
| 18. Warren County Human Services Board, Inc. | Lebanon, Ohio |

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DATE
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